



June 14, 2018

The Honorable Joe Donnelly
United States Senate
Hart Senate Office Building, Suite 720
Washington, DC 20510

Dear Senator Donnelly,

I am writing in response to your recent letter regarding the stability of insurance markets and 2019 rate filings by Ambetter from Managed Health Services (MHS) in Indiana. Thank you for your interest in steps to stabilize the individual market in the state and across the nation.

Centene Corporation is a diversified, multi-national healthcare enterprise that provides a portfolio of services to government-sponsored healthcare programs, focusing on under-insured and uninsured individuals. We serve over 12.8 million managed care members across the country. In the Health Insurance Marketplace, Centene covers over 1.6 million members across 15 states in 2018. In Indiana alone, our subsidiary health plan, MHS, covers 55,300 members through our Ambetter Marketplace product.

We appreciate the opportunity to highlight the points below in addressing your questions related to the 2019 rate filings and tools to stabilize insurance markets:

- **Market Participation and Rate Filing Factors:** Standard factors that impact rates include plan design, provider network changes, service utilization, stability of the risk pool, and medical and pharmacy cost trends. For 2019, challenges include the uncertainty linked with the repeal of the individual mandate penalty and the Administration's proposed lengthening of short-term, limited-duration insurance plans.
- **Tax Cuts and Jobs Acts Health Care Provisions:** The Congressional Budget Office (CBO) predicts that repeal of the individual mandate penalty may cause premiums to increase. CBO points to a likely decrease in membership across Affordable Care Act (ACA) compliant plans and an overall worsening of the risk pool. For Indiana and our other Marketplace states, the impacts of the mandate penalty repeal cause uncertainty for plan year 2019 pricing, as market impacts may not fully be known until after the 2019 plan year begins or during 2019 Open Enrollment.
- **Short-Term Limited-Duration Insurance Impacts:** At this point, we cannot predict with certainty the impact of the Administration's proposals for short-term, limited-duration (STLD) plans. Our comments are based on the Administration's proposed regulation issued February 21, 2018.

In Indiana and across our other Marketplace states, STLD plans can skew the risk pool within the Marketplaces by potentially siphoning away younger and healthier populations. STLD plans are

not subject to the same protections as major medical coverage and can discriminate based on health status and deny coverage for pre-existing conditions. With the ability to individually underwrite, STLD plans would likely attract healthy unsubsidized consumers who are ineligible for tax subsidies, providing lower monthly premiums, but with minimal coverage—this could result in higher than expected costs over the long-term for individuals that find themselves underinsured. In addition, consumers in ACA marketplaces will likely face higher premiums as the overall health of that risk pool is compromised.

- Impact of Congressional and Administrative Actions on the ACA: The discontinuation of ACA cost-sharing reduction (CSR) payments by the federal government to issuers caused premiums to rise. Had the Administration continued to fund CSRs, it cost \$7 billion to the federal government. Instead, by ending CSRs the impact on the federal deficit is estimated to be \$21 billion for year 2020.¹ In turn, rather than allowing us to potentially lower rates, these actions caused insurers to raise premiums for 2019. Additionally, the repeal of the individual mandate penalty has caused uncertainty to the risk pool, as young and healthy individuals may decide to go uninsured. Overall these actions are altering the overall risk profile of the Marketplaces as less healthy or unsubsidized individuals choose not to have insurance coverage.
- Tools to Stabilize Insurance Markets: Predictability is a key. As such, the following tools are important to consider for marketplace stabilization:
 - *Permanent Full Repeal of Issuer Taxes that Increase Costs:* ACA provisions that increase costs such as the annual health insurer fee and other taxes should be repealed. While suspension of the fee in 2019 will lower premiums by approximately 3%, Congress should pass a permanent and full repeal of the fee to provide more predictability and stability in the insurance marketplaces.
 - *Incentives to Coverage:* With the individual mandate penalty repealed, we encourage Congress and the health insurance industry to collaborate in considering tools to incentivize people to have health insurance coverage.
 - *Establish Market Stabilization Program:* A federal market stabilization program with substantial funding focused on a reinsurance approach would reduce premiums in the individual market.

Thank you, Senator, for the opportunity to collaborate on steps to stabilize insurance markets in Indiana and across the nation. For questions, I recommend you contact Jonathan Dinesman, Senior Vice President of Government Relations at jdinesman@centene.com or 314-505-6739.

Sincerely,



Michael F. Neidorff
Chairman and CEO

¹ The Congressional Budget Office. The Effects of Terminating Payments for Cost-Sharing Reductions. August 2017. <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf>